

State of Alaska FY2007 Governor's Operating Budget

Department of Administration Purchasing Component Budget Summary

Component: Purchasing

Contribution to Department's Mission

To assist state agencies and political subdivisions to achieve their public mission and reduce costs by providing professional procurement services.

Core Services

- Establish cost-effective multi-agency term contracts for high use supplies and services needed by all agencies.
- Provide training to client agencies on the application of the State Procurement Code (AS 36.30, 2 AAC 12) and the Alaska Administrative Manual.
- Provide consultation to client agencies to assist them in their procurement of supplies, services and professional services.
- Participate in and facilitate cooperative purchases with qualified public procurement units to increase buying power and leverage limited resources.
- Provide guidance and leadership in procurement by supplying procurement information, policy manuals, standard documents and forms, automated procurement tools and other necessary information.

End Results	Strategies to Achieve Results
A: Improved cost effectiveness of state procurement. <u>Target #1:</u> 100% of new contracts entered into produce a minimum of 5% savings from prior rates. <u>Measure #1:</u> Percent of change in cost of goods and services.	A1: Establish consolidated contracts for statewide use. <u>Target #1:</u> Establish new statewide contracts or purchasing agreements. <u>Measure #1:</u> Number of new consolidated contracts or purchasing agreements. A2: Training and certification of state agency procurement personnel. <u>Target #1:</u> Maintain 20 annual procurement training courses. <u>Measure #1:</u> Annual number of training sessions, personnel certified and re-certified.

Major Activities to Advance Strategies

- Procurement and expenditure analysis to determine which new contracts should be established.
- Issue solicitations or enter into cooperative agreements to obtain cost effective contracts.

FY2007 Resources Allocated to Achieve Results

FY2007 Component Budget: \$1,118,400

Personnel:

Full time	14
Part time	0
Total	14

Performance Measure Detail

A: Result - Improved cost effectiveness of state procurement.

Target #1: 100% of new contracts entered into produce a minimum of 5% savings from prior rates.

Measure #1: Percent of change in cost of goods and services.

Analysis of results and challenges: .

07/01/03–12/31/03: One contract (for aviation fuel) alone is producing approximate savings of 6.79% over FY03 cost.

New minimum cost percentages for RFPs, established May 03' generate estimated annual savings of 6.43 %. However, a more conservative estimate of 2% savings was reported to OMB.

Permissive Price Agreements (discount structures) with certain in-state vendors were established in October 03' for purchases of \$5,000 or less. The State entered into nine agreements with saving ranging from 10% to 80% off retail pricing.

01/01/04–03/31/04: DGS awarded one aviation fuel contract at Bethel which is producing approximate savings of 10.39% over FY03 costs.

DGS outsourced the procurement and warehouse functions at the Department of Transportation, Southeast Region. The comparison of state employee costs to the contract rates, including a one-time implementation fee will result in savings of 22% over the two-year pilot term

Seven mandatory duplication services contracts were established in Juneau, Anchorage, and Fairbanks for duplicating jobs of 50,000 impressions and less. These contracts provide average savings of 30% below the contractors' standard pricing.

The Minnesota Multi-state Contracting Alliance for Pharmacy (MMCAP) established two hospital and laboratory supplies contracts for use by member states, including Alaska. The contracts provide savings of 5% - 35% off a wide variety of frequently used supplies, with an average discount of 25% below retail.

DGS' copier acquisition policy has resulted in an approximate 27% decrease in the dollar value of state copiers purchased or leased since implementation of the policy in October 03'.

DGS awarded six office move contracts at Juneau, Anchorage, Fairbanks, Eagle River, Palmer and Wasilla. These contracts provide average savings of 35% below the contractors' standard pricing.

04/01/04–06/30/04: Re-bid of the archival services and storage contract in Anchorage resulted in savings of 2.7% over the previous contract.

07/01/04-09/30/04: Re-bid of the fax machine contracts resulted in estimated savings of 25% over previous contract pricing due to a reduction of models offered.

Negotiations with Symantec resulted in an approximately 55% reduction in the state's pricing level. Symantec sells a host of products, including Symantec Antivirus which is the state software standard for desktop and server protection.

10/01/04-12/31/04: General Services awarded the new, mandatory State Travel Office (STO) travel agency services contract to provide consolidated travel agency services to Medicaid beneficiaries and state employees. Cost savings under this contract will be realized through a number of ways, including consolidation of effort, economies of scale, and negotiated travel fares. These services will be made available first to Medicaid beneficiaries, with Medicaid savings of approximately \$307,500 expected in FY05 and \$900,000 in FY06, based on a 16.5% savings on airfare. The estimated savings expected for state-funded travel is not yet available.

Rebid of the office supply contracts in Anchorage, Fairbanks, Juneau and Ketchikan resulted in savings of between 33% and 57.7% off the manufacturers' suggested retail pricing and will save approximately 6% from previous contract rates.

Rebid of the express package delivery contract between locations in Alaska for packages up to 10 lbs. provides savings of 60% below the contractor's standard pricing. However due to increases in the market this contract will not provide savings over the previous contract rates.

Rebid of the Data Entry contract in the Juneau region resulted in no additional savings. The previous contract was in place for six years and did not contain a price adjustment clause; as a result the contractor was providing services to the state at 1998 rates. While we did not realize additional savings, the state was able to refine various agency forms, clarify needs and requirements, update keypunch instructions and provide an enhanced and more functional contract.

01/01/05-03/31/05: DGS established seven computer/printer contractual agreements with WSCA Dell, Gateway, Hewlett Packard, Howard Computers, IBM and MPC. One of the agreements (WSCA/Dell) was a replacement contract, the remaining six are new. These contracts are the result of a multi-state cooperative purchase led by the State of Minnesota and are expected to save at least 5% when compared to prices otherwise available to the state.

A new statewide contract was awarded to Hewlett Packard to provide HP OEM print cartridges. Cost savings on this contract will be realized through a 17% discount off HP's State and Local Government price list and free shipping to Alaska.

DGS established three contractual agreements for communications equipment; radios, receivers, test equipment, towers, microwave antennas, etc. These contracts are the result of a multi-state cooperative purchase led by the State of Washington. Savings of at least 5% are expected.

Note: Political subdivisions of the state may also utilize all contracts referenced above.

04/01/05-06/30/05: DGS awarded a new statewide contract for LANDesk software products and customization/installation services. The contract provides a 60% discount over MSRP.

DGS established two new contractual agreements for communications equipment with Motorola (two-way radios & associated equipment) and Valmont (communications towers). These agreements fall under the Western States Cooperative Association's Public Safety master radio contract and produce savings of approximately 15%.

A new marine diesel fuel contract was awarded in Cordova, Alaska. Price per gallon has been reduced by 13%. Vessels operated by Marine Highways, Public Safety and Fish and Game will utilize the contract.

A1: Strategy - Establish consolidated contracts for statewide use.

Target #1: Establish new statewide contracts or purchasing agreements.

Measure #1: Number of new consolidated contracts or purchasing agreements.

Analysis of results and challenges: .

07/01/03–12/31/03: Five multi-department contracts have been awarded during first half of FY04; aviation fuel, marine vessel fuel, land fuel, copier contracts, groceries. One was a new statewide contract. Nine permissive price agreements were also awarded.

01/01/04–03/31/04: Fifteen multi-department contracts have been awarded during this period; aviation fuel, procurement and warehouse outsourcing, duplication services, office moves. DGS will participate in two multi-state cooperative contracts for hospital and laboratory supplies.

04/01/04–06/30/04: One multi-department contract was awarded for archival services and storage in Anchorage.

07/01/04–09/30/04: None awarded during this reporting period.

10/01/04–12/31/04: DGS awarded a new mandatory State Travel Office travel agency services contract. DGS also rebid two existing statewide contracts for office supplies and express package delivery. In addition, the Juneau data entry contract was successfully rebid.

01/01/05–03/31/05: DGS established six new statewide computer/printer contractual agreements with WSCA Dell, Gateway, Hewlett Packard, Howard Computers, IBM and MPC.

A new statewide contract was awarded to Hewlett Packard to provide HO OEM print cartridges.

DGS established three new contractual agreements for communications equipment; radios, receivers, test equipment, towers, microwave antennas, etc.

Note: Political subdivisions of the state may also utilize all contracts referenced above.

04/01/05–06/30/05: DGA awarded a new statewide contract for LANDesk software products, and customization/installation services.

A new A&E contract was established for state Southeast Region tenants located in leases or state facilities. The Division of General Services will utilize this contract on behalf of all departments. DGS is working to establish similar contracts in the other regions of Alaska.

DGS re-bid the following statewide aircraft charter contracts; helicopter passenger, helicopter/fixed-wing cargo and fixed wing passenger.

A2: Strategy - Training and certification of state agency procurement personnel.

Target #1: Maintain 20 annual procurement training courses.

Measure #1: Annual number of training sessions, personnel certified and re-certified.

Analysis of results and challenges: .

07/01/03–12/31/03: Twenty training courses scheduled for FY04. Ten courses completed July – December 2003. Between July – December 2003, 122 state employees have received procurement certification. All certificates processed within 10 days of certification.

01/01/04–03/31/04: Seven courses completed January – April 2004. Attendance was 224 with 51 state employees receiving procurement certification. All certificates processed within 10 days of certification.

04/01/04–06/30/04: Five courses completed April – June 2004. Attendance was 159 with 45 state employees receiving procurement certification. All certificates processed within 10 days of certification.

07/01/04–09/30/04: Four courses completed in July - September 2004. Attendance was 120 with 45 state employees receiving procurement certification. All certificates processed within 10 days of certification.

10/01/04–12/31/04: Nine courses completed October - December 2004. Attendance was 415 with 135 state

employees receiving procurement certifications. All certificates processed within 10 days of certification.

01/01/05-03/31/05: Five courses completed January-march 2005. Attendance was 198 with 157 state employees receiving procurement certification. All certificates processed within 10 days of certification.

04/01/05-06/30/05: Twelve courses completed April-June 2005. Attendance was 336 with 154 state employees receiving procurement certification. All certificates processed within 10 days of certification.

Key Component Challenges

- Increase the current level of services while utilizing the same staff resources to:
- Automate systems and procurement methods using the Internet to foster improved efficiency for state agencies, improved access for Alaska Vendors to state business, and enhanced reporting on state purchasing activities;
- Improve the statewide procurement officer certification and training program;
- Maintain and enhance the Web-based system to track state procurement officer certifications, training records, and delegations of purchasing authority;
- Increase the number of statewide term contracts available for all state agencies and political subdivisions;
- Implement and administer the procurement outsourcing pilot project.

Significant Changes in Results to be Delivered in FY2007

Identify and implement new procurement cost savings, cost avoidance and efficiency measures.

Major Component Accomplishments in 2005

- Continued successful operation of the statewide procurement officer training/certification program, database and web site.
- Presented 30 procurement training courses to 1,069 attendees.
- Awarded the new, mandatory State Travel Office (STO) travel agency services contract to provide consolidated travel agency services to Medicaid beneficiaries and state employees.
- Awarded statewide contracts for fax machines, desktop and server protection software, office supplies, package delivery, OEM print cartridges, LANDesk software products, data entry (Juneau), and marine diesel fuel (Cordova).
- Issued a policy directive to all departments regarding foreign outsourcing.
- Established a new A&E contract for state Southeast Region tenants located in leases or state facilities. The Division of General Services will utilize this contract on behalf of all departments.
- Re-bid the following statewide aircraft charter contracts; helicopter passenger, helicopter/ fixed-wing cargo and fixed-wing passenger.
- Established seven computer/printer contractual agreements with the Western States Contracting Alliance (WSCA) for Dell, Gateway, Hewlett Packard, Howard Computers, IBM and MPC, and three WSCA contract agreements for communications equipment; radios, receivers, test equipment, towers, microwave antennas, etc. Political subdivisions of the state may also utilize these WSCA contracts.
- Established two new contractual agreements for communications equipment with Motorola (two-way radios & associated equipment) and Valmont (communication towers). These agreements fall under the Western States Cooperative Association's Public Safety master radio contract.
- Administered various statewide contracts covering supplies and services such as microcomputers, software, systems furniture, copiers, paper, hospital and laboratory supplies, pharmaceuticals, records storage, industrial supplies, office supplies, fax machines, heating fuel, bakery goods, groceries and meats which resulted in significant savings to the state.
- Provided consultative services to all departments - reviewed advanced level procurement work and provided direction regarding complex solicitations, requests for alternate procurement, protests, appeals, violations and unique procurement situations.

Statutory and Regulatory Authority

AS 36.30

State Procurement Code

AS 44.21.020(1),(4)	Duties of the Department
AS 44.99.200-240	State Publications
CHAPTER 51 SLA 03	Procurement Pilot Project
2 AAC 12	Procurement
2 AAC 15	Purchasing

Contact Information

Contact: Vern Jones, Chief Procurement Officer
Phone: (907) 465-5684
Fax: (907) 465-2198
E-mail: vern_jones@admin.state.ak.us

**Purchasing
Component Financial Summary**

All dollars shown in thousands

	FY2005 Actuals	FY2006 Management Plan	FY2007 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	817.2	922.7	976.3
72000 Travel	21.7	4.4	4.4
73000 Services	120.8	121.7	123.1
74000 Commodities	43.5	14.6	14.6
75000 Capital Outlay	0.0	0.0	0.0
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	1,003.2	1,063.4	1,118.4
Funding Sources:			
1004 General Fund Receipts	980.3	1,063.4	1,118.4
1007 Inter-Agency Receipts	22.9	0.0	0.0
Funding Totals	1,003.2	1,063.4	1,118.4

**Summary of Component Budget Changes
From FY2006 Management Plan to FY2007 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2006 Management Plan	1,063.4	0.0	0.0	1,063.4
Adjustments which will continue current level of service:				
-FY 07 Wage Increases for Bargaining Units and Non-Covered Employees	17.4	0.0	0.0	17.4
-FY 07 Health Insurance Cost Increases for Bargaining Units and Non-Covered Employees	2.0	0.0	0.0	2.0
-FY 07 Retirement Systems Cost Increase	32.4	0.0	0.0	32.4
Proposed budget increases:				
-Risk Management Self-Insurance Funding Increase	3.2	0.0	0.0	3.2
FY2007 Governor	1,118.4	0.0	0.0	1,118.4

**Purchasing
Personal Services Information**

Authorized Positions			Personal Services Costs	
	<u>FY2006</u> <u>Management</u> <u>Plan</u>	<u>FY2007</u> <u>Governor</u>		
Full-time	14	14	Annual Salaries	637,703
Part-time	0	0	COLA	17,486
Nonpermanent	0	0	Premium Pay	2,676
			Annual Benefits	357,759
			Less 3.87% Vacancy Factor	(39,324)
			Lump Sum Premium Pay	0
Totals	14	14	Total Personal Services	976,300

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accountant III	0	0	1	0	1
Accounting Tech II	0	0	1	0	1
Administrative Clerk II	0	0	1	0	1
Administrative Clerk III	0	0	1	0	1
Administrative Manager I	0	0	1	0	1
Chief Procurement Off	0	0	1	0	1
Contracting Officer III	0	0	5	0	5
Contracting Officer IV	0	0	1	0	1
Deputy Director, General Svcs	0	0	1	0	1
Publications Tech II	0	0	1	0	1
Totals	0	0	14	0	14